

RHODE ISLAND PUBLIC TRANSIT AUTHORITY

BOARD OF DIRECTORS

MINUTES OF June 8, 2006 MEETING

Board Members Present: Thomas Deller, Chairperson; Robert Batting, Vice-Chair; William Kennedy; Sharon Conard Wells and Director James Capaldi.

Also Present: Alfred J. Moscola (General Manager); Richard Licht (Outside General Counsel); Andrew Prescott (Outside Labor Counsel); Henry Kinch; Deborah Dawson; Maureen Neira; Mark Therrien; Annmarie McMahon and other members of RIPTA's senior staff and the public whose names are listed on the meeting sign-in sheet.

Agenda Item 3: Election of Officers of the Board of Directors

Tom Deller opened the meeting and moved the first agenda item to the end of the meeting. He then called for the election of officers. Mr. Batting stated that since none of the Governor's board member appointments have been confirmed, it was his opinion that the

election of officers should be tabled until such time as additional appointments are made. Tom Deller noted that at the last board meeting the election was tabled, although there were enough board members present to have the election, as his nomination for chair did not require a second. Mr. Deller asked Richard Licht, Outside General Counsel for his opinion. Mr. Licht opined that RIPTA's by-laws state the election of officers is to be held yearly and if no election takes place, the current officers remain in place until successors are named. Mr. Deller stated that Mr. Batting raised a valid point, as all of the board members' terms have expired, except Director Capaldi, who is an ex officio member of the board. Mr. Batting reiterated that the board officers should remain status quo until the appointments of new members are acted upon. Sharon Wells stated that the same situation existed last year, but the Board proceeded with the elections. After a brief discussion, Bob Batting made a motion to table the election of officers, Tom Deller and Sharon Wells seconded the motion. A roll call vote was taken and the motion passed unanimously.

Agenda Item 2: Approval of Minutes of April 17, 2006 Meeting

Mr. Deller requested comments regarding the minutes of the April 17, 2006 meeting. Hearing none, a motion was made for the approval of the minutes of the April 17, 2006 meeting by William Kennedy, which was seconded by Robert Batting. The Board unanimously approved the minutes as presented.

Agenda Item 4: General Managers Report

Mr. Moscola reported on the cost of fuel for FY 06. The high remains at \$2.90 per gallon occurring in September of 2005, and the low in February of \$1.93 resulting in an average cost of \$2.29 to date. Today's fuel cost was \$2.38 per gallon with the budgeted price being \$2.20. Maureen Neira will be raising the budgeted amount to \$2.60 for FY 2007 and will discuss that later in the meeting.

Mr. Moscola reported that RIPTA assisted RIDOT with transportation during the second phase of the demolition of the Jamestown Bridge.

The demolition and cleanup of the McKendall property is ongoing. All of the existing buildings have been taken down. The McKendall 'white paper' is completed in draft form and when finalized will be presented to the Board.

The General Manager reported that the farebox RFP was issued on May 12th with vendor submissions due by July 18th. Mr. Moscola expects to bring the recommendation of a contract award to either the September or October Board meeting.

Finally, Mr. Moscola reported that the 2006 and 2007 budgets have

been balanced. Tom Deller congratulated Mr. Moscola on achieving a balanced budget, which was particularly difficult when addressing the high costs of fuel. Mr. Deller added that he has given much thought to the McKendall property and other real estate owned by the Authority. He feels it is important to focus on this issue and make a determination of everything that is owned and its usefulness.

Mr. Deller then asked for questions on the General Manager's report. Mr. Kennedy asked if budgeting \$2.60 for fuel would be enough. Mr. Moscola responded that he is increasing the budgeted amount by \$0.40 per gallon, which results in a yearly increase of \$1 million. While fuel is difficult to forecast, he feels \$2.60 should be sufficient barring unforeseen natural disasters like the hurricanes.

Mr. Batting asked about the package of documents included in the Board package addressing various questions and issues raised by the Board in recent months and said he appreciated receiving the documents well before the meeting in order to prepare. He then commented on the 2007 budget and noted that the line items and increases do not track past performance. He further stated that he would like to see total gallons and cost of fuel tracked.

Agenda Item 5: FY 2006 Budget

Maureen Neira reported that through March, despite erratic fuel costs, RIPTA remained within budget. She believes RIPTA will remain on

track through the end of the year, which is a good end to this year and a promising start to 2007. Tom Deller asked for questions on the 2006 budget. Bob Batting asked if the state had discussed changes to the Ritecare pass program, and Ms. Neira replied that no changes had been made and the FY 2007 budget was based upon the actual for FY 2006. She further remarked that RIPTA uses the previous year's trends for budgeting since previous experience has shown that the state estimates are usually on the high side. Tom Deller asked if there was any reduction in this area and Mr. Moscola replied that the volume has actually increased.

Agenda Item 7: RFP 06-11 Pension Plan Defined Benefit Provider Recordkeeping/Investment Services

Tom Deller then moved on to the 7th agenda item, the award of a contract for a Pension Plan Defined Benefit Provider Recordkeeping/Investment Services. At the meeting of the Joint Pension Board (JPB) immediately preceding this Board meeting, the JPB recommended the award of a contract to Prudential Financial Services of Hartford Connecticut to provide recordkeeping and investment services for RIPTA's pension plan. Mike McGrane addressed the Board and gave an overview of the staff summary for those Board members not on the Joint Pension Board. The approximate annual cost of the services, based on the current pension plan level is \$170,207. After a brief discussion, Mr. Kennedy moved to approve the award of the contract to Prudential Financial

Services and Director Capaldi seconded the motion, which passed unanimously.

Agenda Item 8: Board Meeting Handout on April 17, 2006

Tom Deller moved on to the next agenda item, discussion of the contents of the informational package handed out at the Board meeting held on April 17, 2006. The General Manager explained that at recent Board meetings various questions had arisen on a myriad of topics. In response to those questions the General Manager and his staff compiled written responses that were handed out in one package at the previous Board meeting. At that time he asked that the Directors review the documents at their leisure and contact him if there were comments or questions.

In connection with the white paper on the Ritecare bus pass program Director Capaldi asked for clarification regarding what trips RIPTA is required to provide. He was under the impression that only medical visits were covered. Mr. Therrien replied that RIPTA also covers trips to the pharmacy, therapy, etc., and if RIPTA didn't transport the riders, such rides would have to be done by taxi-cab which is more costly. Director Capaldi replied that the State saves money by having RIPTA provide the service, but it more costly for RIPTA. He then stated that RIPTA should be charging the State the actual cost of providing the service. Mr. Therrien replied that if RIPTA were to charge the state the \$62 per pass cost, that by law RIPTA would also

have to increase the cost of a regular monthly bus pass to \$62. Director Capaldi stated that RIPTA should be subsidized for the cost of Ritecare, especially with the high costs of fuel. He feels riders should only be transported to legitimate medical visits and let the state pay for the cab fare for other visits. Bob Batting added that the cost of Ritecare is a 'sleeping dog'; noting that the single category of "Ritecare" accounts for 38% of ridership. He also expressed his concerns that RIPTA is being forced to absorb too much of the cost of such program.

A brief discussion then ensued regarding marketing RIPTA monthly passes as a cost effective alternative to driving. Currently RIPTA is viewed as transportation for those with low income. Bob Batting asked if RIPTA maintained data as to where the Ritecare passes are distributed, and Mark Therrien replied that information cannot be obtained by RIPTA, as it is prohibited by law to do so. However, RIPTA is aware that pass sales are higher in the urban core areas, and those routes are maxed out. Mr. Moscola and staff have been monitoring the ridership since the cost of fuel has been increasing, noting that when fuel prices go up, ridership spikes, and when fuel comes down, people return to their cars.

Tom Deller commented that RIPTA must present this area of the budget to legislators differently than in the past – it must be shown in dollars for the current year and the next five years. Mr. Deller then asked if there were additional comments, and Mr. Batting passed out

a New York Times newspaper article discussing ethanol in fuel. Mr. Batting then asked about the RIPTA salaried and hourly pension plan-funding document. This document indicated an anticipated increase in the unfunded liability between 2001 and 2007, going from \$35.7 million to \$64.9 million. Mr. Batting stated that he would like to see similar reporting for medical benefits (GASB 45). Ms. Neira responded that those figures would be available later in the year.

Agenda Item 1: Executive Session Adjournment

Mr. Deller moved that RIPTA adjourn to an executive session, as noticed in the agenda, under sections § 42-46-5(a)(2) for the purposes of discussing labor matters. Mr. Kennedy moved to adjourn and to convene an executive session; Director Capaldi seconded the motion.

A roll call vote was taken on the motion to convene to executive session. All Board members voted to convene the executive session.

Following the Board's return to open session, Mr. Kennedy moved to seal the executive session minutes. Ms. Wells seconded the motion, which passed unanimously.

Agenda Item 6: FY 2007 Budget

Maureen Neira discussed the FY 2007 budget staff summary. The second page shows each adjustment that was made to balance the budget. She cautioned that the gas tax revenue could change as the

state addresses it in November and April and the wage adjustments are dependent upon the labor settlements. Two major contributors to savings were the 3rd party administrator agreement with Beacon insurance, which resulted in substantial workers compensation savings and the Risk Management Department revising some settlement award projections. As previously noted by the General Manager, the budgeted fuel cost was increased to \$2.60 per gallon. Ms. Neira was happy to report that these adjustments have resulted in zero deficit. She also noted that revenue increased \$3.7 million and discussed with the Board issues and concerns related to the budget. She noted that the revenue from advertisements is lower due to expired contracts, however those contracts have now been re-signed so revenue is expected to increase next year. Finally, revenue from RIDOT for vehicle maintenance \$300,000 and the Keep Eddy Moving program resulted in a \$90,000 reimbursement. The budget includes 5 RIDOT employees and 1 additional transportation superintendent.

Tom Deller asked for questions and Bob Batting noted that between the years of 2001 and 2007 the budget has increased from \$35.1 million to \$86.8 million annually, which averages out to an annual increase of 9%. He also noted that the pension requirement has increased by 11% during the same timeframe. Bill Kennedy asked about the Marketing budget for FY 2007 to which Ms. Neira responded that \$300,000 was included for the purpose of marketing new fareboxes/fare media. Mr. Kennedy responded that the Marketing Budget should be increased. Mr. Moscola added that at

times the Marketing funds have been used to shore up the budget. Mr. Kennedy complimented Mr. Moscola saying he does a tremendous job of marketing with the limited resources available. Following this discussion Director Capaldi moved to approve the FY 2007 budget as presented, Bill Kennedy seconded the motion, which passed unanimously.

Agenda Item 9: Public Comment

Mr. Deller requested public comments and recognized Christine Johnston, of the Laborers International Union - Local 808. Ms. Johnston commended the General Manager and staff for achieving a zero deficit. Mr. Deller then recognized Steve Farrell President of the Amalgamated Transit Union – Local 618 and 618(a). Mr. Farrell also wished to congratulate Mr. Moscola on balancing the Authority's budget. Finally, Mr. Deller stated that he would be working on the General Manager's annual performance review and if any of the Directors had comments they were welcome to contact him directly.

Agenda Item 10: Adjournment

Ms. Wells moved to adjourn the meeting; Director Capaldi seconded the motion, which passed unanimously.

Respectfully submitted,

Ellen M. Farrell

Secretary to the Board